NEBRASKA

STATE PATROL

EMPLOYEES RETIREMENT SYSTEM AND DEFERRED RETIREMENT OPTION PLAN (DROP)
IMPORTANT

This member handbook contains time-sensitive information and should be read by all new State Patrol Retirement Plan members within 30 days of employment.
The Nebraska State Patrol Retirement Plan (the “Plan”) is a Defined Benefit Plan administered by the Public Employees Retirement Board (PERB) for State Patrol Officers.

The Plan is qualified under Internal Revenue Code §§401(a) and is comprised of a Defined Benefit and a voluntary Deferred Retirement Option Plan (DROP) option.

The voluntary Deferred Retirement Option Plan (DROP) was added to the State Patrol Retirement Plan, effective September 1, 2008. DROP information is located in the second half of this handbook.

Tier Two benefits were added to the plan effective July 1, 2016.

**IMPORTANT**

This booklet provides an overview of the benefits available to members of the Nebraska State Patrol Retirement System as of the revision date and is not intended to be a substitute for retirement education. In most circumstances, benefits are established using the statutes in effect at the time of termination. The provisions of the Nebraska State Patrol Retirement Act, in all cases, supersede the information in this booklet.

This guidance document is advisory in nature but is binding on the Nebraska Public Employees Retirement Systems (NPERS) until amended by NPERS. A guidance document does not include internal procedural documents that only affect the internal operations of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

**If you have questions, contact:**

Nebraska Public Employees Retirement Systems (NPERS)  
P.O. Box 94816  
Lincoln, Nebraska 68509  

Fax 402-471-9493, or call 402-471-2053  
or call toll-free 800-245-5712.

You may schedule an appointment to visit NPERS at 1526 K Street, Suite 400, Lincoln.

For Plan information visit the NPERS website: npers.ne.gov.
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit Tiers</td>
<td>1</td>
</tr>
<tr>
<td>Your Benefit</td>
<td>1</td>
</tr>
<tr>
<td>Membership</td>
<td>2</td>
</tr>
<tr>
<td>Contributions/Funding</td>
<td>2</td>
</tr>
<tr>
<td>Eligibility/Vesting</td>
<td>2</td>
</tr>
<tr>
<td>Vesting Credit</td>
<td>3</td>
</tr>
<tr>
<td>Beneficiary Designation</td>
<td>3</td>
</tr>
<tr>
<td>Exemption From Legal Process</td>
<td>4</td>
</tr>
<tr>
<td>Terminating Service Before Retirement</td>
<td>4</td>
</tr>
<tr>
<td>Deferral</td>
<td>5</td>
</tr>
<tr>
<td>Address Changes</td>
<td>5</td>
</tr>
<tr>
<td>Refund</td>
<td>5</td>
</tr>
<tr>
<td>Service Credit</td>
<td>6</td>
</tr>
<tr>
<td>Military Service</td>
<td>7</td>
</tr>
<tr>
<td>Verification of service</td>
<td>7</td>
</tr>
<tr>
<td>Compensation</td>
<td>8</td>
</tr>
<tr>
<td>For Tier One Members</td>
<td>8</td>
</tr>
<tr>
<td>For Tier Two Members</td>
<td>9</td>
</tr>
<tr>
<td>Longevity Pay (All Tiers)</td>
<td>9</td>
</tr>
<tr>
<td>Repayment Of Refund</td>
<td>9</td>
</tr>
<tr>
<td>Account Statement</td>
<td>10</td>
</tr>
<tr>
<td>Termination</td>
<td>10</td>
</tr>
<tr>
<td>Retirement: Age/Eligibility</td>
<td>11</td>
</tr>
<tr>
<td>Unreduced Benefits</td>
<td>11</td>
</tr>
<tr>
<td>Reduced Benefits</td>
<td>11</td>
</tr>
<tr>
<td>Mandatory Retirement – Unreduced Benefits</td>
<td>12</td>
</tr>
<tr>
<td>Deferred Retirement</td>
<td>12</td>
</tr>
<tr>
<td>Vesting Reductions</td>
<td>12</td>
</tr>
<tr>
<td>Sample Benefit Calculation</td>
<td>12</td>
</tr>
<tr>
<td>Retirement: Effective Date</td>
<td>13</td>
</tr>
<tr>
<td>Before You Retire</td>
<td>13</td>
</tr>
<tr>
<td>Death Benefits</td>
<td>14</td>
</tr>
<tr>
<td>Before Retirement: Active Member</td>
<td>14</td>
</tr>
<tr>
<td>Before Retirement: Inactive Member (Deferred Account)</td>
<td>15</td>
</tr>
<tr>
<td>After Retirement</td>
<td>15</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>16</td>
</tr>
<tr>
<td>Spousal Pension Rights Act</td>
<td>17</td>
</tr>
</tbody>
</table>
# Table of Contents

- **Reemployment** ................................................................. 17  
  - Before Retirement ......................................................... 17  
  - After Retirement .......................................................... 17  

- **Retirement Planning Program** ................................................... 18

- **Taxation** .............................................................................. 18  
  - When Receiving a Retirement Benefit ................................ 19  
  - Safe Harbor ......................................................................... 19  
  - When Receiving a Refund of Your Account .......................... 20

- **Cost-Of-Living (COLA) Provisions** .............................................. 21

- **Direct Deposit** ...................................................................... 21

- **Suspension of Benefits** ........................................................... 21

- **Appeals Process** ................................................................. 22

- **Administration of the Retirement Fund** ....................................... 22

- **Release of Information** .......................................................... 23  
  - Fax Policy .............................................................................. 24  
  - Email Policy ........................................................................ 24

- **Deferred Compensation Plan** .................................................... 24

- **Social Security Benefits** .......................................................... 25

- **Deferred Retirement Option Plan (DROP)** .................................. 25

- **How DROP Works** ............................................................... 27  
  - Eligibility .............................................................................. 27  
  - Application to Enter DROP .................................................. 27  
  - Deferring Comp Time Pay Into DCP ..................................... 28  
  - Working During DROP ......................................................... 28  
  - When the First Benefit Payment is DROPPED ......................... 28  
  - Ceasing Employment and Ending DROP ............................... 29

- **Investing the DROP Account** ....................................................... 29  
  - Investment Responsibility and Risk ........................................ 29  
  - Investment Education and Assistance ..................................... 29

- **Account Statements** ................................................................ 31

- **Fees** ...................................................................................... 31  
  - Record Keeping Fee ............................................................ 31  
  - Administrative Fee ............................................................. 31  
  - Investment Management Fee ............................................... 32

- **“Retire In Fact” Distribution Options** ........................................... 32

- **DROP Taxation** ..................................................................... 33

- **Social Security** ................................................................. 33

- **Address Changes** ............................................................... 34

- **Death During DROP** ............................................................ 34

- **Disability During DROP** ....................................................... 34
BENEFIT TIERS

Legislation passed in 2016 created a second tier of benefits. This benefit tier affects members joining the plan on or after July 1, 2016.

<table>
<thead>
<tr>
<th>TIER ONE</th>
<th>TIER TWO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier One refers to members participating prior to July 1, 2016.</td>
<td>Tier Two refers to members joining the plan on or after July 1, 2016.</td>
</tr>
</tbody>
</table>

IMPORTANT

The majority of plan provisions for Tier One and Tier Two are identical. This handbook will note the sections where benefits are different.

YOUR BENEFIT

At retirement, eligible (vested) members will receive a monthly “pension” benefit paid for their lifetime. This benefit is calculated using a formula that multiplies total years of service credit, by the highest 12-month periods of salary (final average monthly compensation), and a formula factor set by law (currently 3%).

DEFINED BENEFIT FORMULA

\[
\text{Monthy Retirement Benefit Payment} = \text{Years of Creditable Service} \times \text{Final Average Monthly Compensation} \times \text{Formula Factor (Currently 3%)}
\]

IMPORTANT

Your account balance is NOT used when calculating your monthly benefit amount at retirement.

WARNING

Members CANNOT take a distribution of benefits until they have ceased employment with the Nebraska State Patrol or State of Nebraska.

IMPORTANT

The **maximum monthly benefit** payment is 75% of final average monthly compensation, which you would reach after attaining 25 years of service credit provided you are at least age 50 when you apply for benefits.
MEMBERSHIP

Every sworn officer of the Nebraska State Patrol who is employed on or after September 7, 1947, will be a member of the Nebraska State Patrol Retirement System, except for those who were previously Carrier Enforcement Officers and chose to remain in the State Employees Retirement System.

Upon graduation from the training academy, the State Patrol Office will begin retirement deductions from your compensation and furnish you with a Beneficiary Designation Form and a Statement Concerning Your Employment In A Job Not Covered by Social Security Form (See “Beneficiary Designation” for limitations). You should complete and return these forms to the Nebraska Public Employees Retirement Systems (NPERS).

CONTRIBUTIONS/FUNDING

As a member of the Nebraska State Patrol Retirement System, you contribute a percentage of your gross monthly compensation. Your employer matches your contributions at 100%.

<table>
<thead>
<tr>
<th>TIER ONE</th>
<th>TIER TWO</th>
</tr>
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<tbody>
<tr>
<td>If you joined the plan prior to July 1, 2016, you contribute 16% of compensation.</td>
<td>If you joined the plan on or after July 1, 2016, you contribute 17% of compensation.</td>
</tr>
</tbody>
</table>

The Nebraska Investment Council invests the assets of the Patrol Plan to help fund the lifetime benefits issued to eligible members. The Investment Council invests in a variety of investment vehicles, including bonds and fixed investments, and domestic and foreign equities (stock).

IMPORTANT

Contributions from the State of Nebraska and investment earnings are not credited to your account but instead provide funding for the lifetime monthly benefit provided to all eligible members at retirement.

ELIGIBILITY/VESTING

Members must be vested in order to be eligible for a monthly retirement benefit. Unvested members are only eligible for a refund consisting of their contributions, plus interest.

Vesting occurs incrementally based on years of service credit earned in the Nebraska State Patrol Retirement plan. Members with less than six full years of service are not vested and not eligible for a monthly benefit at retirement. At six years, members are 20% vested. This vesting percentage
increases 20% for each additional year of service thereafter until reaching 100% at 10 years of service. (See “Vesting Reductions.”)

Members who terminate employment with the Patrol at age 60 are 100% vested regardless of years of service.

**Vesting Credit**

Within the **first 180 days** of employment, you may apply to NPERS for eligibility and vesting credit for years of participation in another Nebraska governmental plan as defined by Section 414(d) of the Internal Revenue Code.

**IMPORTANT**

Vesting credit is not “service credit.” It will not be included as service credit in your retirement benefit calculation but instead is used to determine the vesting percentage.

To apply for vesting credit, you should request an Application for Vesting Credit from either the State Patrol Personnel Office or NPERS. **To be considered, your completed application must be received by NPERS within 180 days of your employment. There are no exceptions.** If you fail to apply for vesting credit within this time frame, you are not eligible for vesting credit.

During the years of participation in another Nebraska governmental plan, you must have been a full-time employee. Examples of Nebraska governmental employment include: municipal government, state government, county government, public power district, public school, state university or state college. (Examples of employment that would not qualify would be federal employment, out-of-state university or college, or any non-governmental employment.)

**BENEFICIARY DESIGNATION**

The Beneficiary Designation Form you complete when you join the Plan **must** include the designation of your spouse and children under the age of 19. This information is necessary to pay survivor benefits.

While you are actively employed as a Trooper, your survivors are designated by law to receive certain benefits at your death. You are required by law to update your survivor listing with NPERS. Every year NPERS will send a Supplemental Registration Form for you to complete and return to NPERS. If your beneficiary designation conflicts with Nebraska law, death benefits will be paid according to statute, not your beneficiary designation (See “Death Benefits” for more details).

If you have no spouse or children under age 19, you may name other beneficiaries by filing a Beneficiary Designation Form with our office.
If you are divorced, you must provide NPERS with a copy of your divorce decree and property settlement agreement. In addition, if your former spouse becomes entitled to a portion of your Patrol retirement account, proper language must be included in a domestic relations order and be qualified by NPERS. (See “Spousal Pension Rights Act.”)

**IMPORTANT**

It is important to inform NPERS of any beneficiary changes to ensure benefits are paid promptly and properly. If you have more than one retirement account at NPERS please mark your Beneficiary Designation Form (“Plan Type” – upper right corner) for all accounts or file separate Beneficiary Designation Forms if you want to name different beneficiaries for each account.

**WARNING**

Beneficiary(ies) designated on a beneficiary form (assuming your designation does not conflict with statute) generally take priority over beneficiary(ies) named in a will or trust.

**EXEMPTION FROM LEGAL PROCESS**

All Plan assets are held in trust. Under current law, these assets are immune from execution, garnishment, attachment, bankruptcy and insolvency laws, or any other process of law. You cannot use your assets as loan collateral since they are not assignable.

**IMPORTANT**

There are only two means by which your trust assets can be paid to anyone other than yourself or your beneficiaries:

- Through a qualified domestic relations order under the Spousal Pension Rights Act.
- Through an IRS tax lien.

**TERMINATING SERVICE BEFORE RETIREMENT**

If you terminate employment as a patrol officer before you become eligible for monthly retirement benefits (see “Retirement Age”), you have the following choices:
Deferral

If you have six or more years of service, including vesting credit, you may elect to defer your retirement benefit until you reach retirement age and then apply for your monthly benefit. If this election is made, you do not have the option of withdrawing your contributions. A deferred benefit is calculated using the salary and service credit you accumulated at termination. Age and vesting reductions may also apply depending on your vested status upon termination and your age when you apply for the benefit. (See “Retirement Age” and “Vesting Reductions.”)

In the event of your death during the deferred period, the accumulated value of your contributions at the date of termination, plus regular interest to the date of your death, will be paid to your beneficiary or estate. No monthly survivor benefit will be provided.

**IMPORTANT**

Members who are not vested may defer their account, but are not eligible to receive a monthly retirement benefit. (See “Eligibility/Vesting.”)

**ADDRESS UPDATES**

If you defer your account, please report any address changes in writing directly to NPERS to ensure you receive your Account Statement and other items. An address change form is available on the “Forms” page of the NPERS website. All address change forms must be signed by the member. In addition, a terminated member who has deferred taking benefits (inactive member) may change their address online if they have created an NPERS online account.

**WARNING**

A terminated member who fails to maintain an up to date address with NPERS may have their account balance transferred to unclaimed property. This may result in loss of benefits and potential tax implications.

**Refund**

You may request a refund of your accumulated contributions plus interest if you cease employment as a patrol officer prior to becoming eligible to retire. (See “Retirement Eligibility.”) If you wish to apply for a refund, you must request an Application for Separation Refund form by telephone or in writing from NPERS.
APPLICATION FOR SEPARATION REFUND

Once NPERS receives your properly completed, signed and notarized Application for Separation Refund, your payment will be processed no earlier than:

| 60 days after your termination date (provided all retirement contributions have posted to your account). | OR | 20 business days after receipt of your completed application, whichever is later. |

All or part of your refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth). With the exception of rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. You will be taxed when you eventually withdraw the money from the other plan. Roth IRA rollovers are subject to State and Federal income taxes in the year of the rollover. You will be responsible for filing and paying taxes on the Roth rollover.

Be aware that refunds do not include employer matching contributions and taking a refund erases your years of service credit.

IMPORTANT

Tier One members who take a refund and return to plan participation (reemployed) on or after 7/1/2016 will return under Tier Two provisions.

IMPORTANT

You must incur a bona fide termination in order to receive a refund. (See “Termination.”) Members who return to employment with the Patrol may be able to repay a refund and restore service credit. (See “Repayment of Refund.”)

SERVICE CREDIT

Per state statute, service credit is earned for service rendered while a contributing member of the Nebraska State Patrol Retirement System, rounded to the nearest month. You receive one year of service credit for each year that elapses from your plan entry date. Partial credit is granted if your employment terminates before the anniversary of your plan entry date.

Credit is not earned for periods when you do not make retirement contributions. You will not be granted service credit if:

- You go on a leave of absence.
- You take leave without pay.
- You are placed on unpaid suspension.
- You are paid worker’s compensation benefits.
- You incur any other periods where you are not contributing to the plan.
To maintain accurate service credit, if you incur any of these situations, please report these non-contributing periods to NPERS in writing.

The maximum retirement benefit payable is 75% of your final average monthly compensation. Therefore, 25 years is the maximum number of years that will apply toward your retirement benefit calculation (25 years \( \times 3\% \) formula factor = 75%).

If you work more than 25 years, the extra years of service credit will not be included when calculating your retirement benefit. However, if during those years your salary increases, the final average monthly compensation used to calculate your benefit may increase.

**Military Service**

Members who are reemployed after qualified military service may be eligible for vesting and service credit for their period of military service. The employer shall be responsible for funding covered military service benefits including member and employer contributions. Military service credit provisions only apply to service that falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA).

Members who wish to have their military service reviewed for potential service credit should file their request to NPERS in a timely fashion. Please contact NPERS for further assistance regarding eligibility, the application process, applicable time frames, and the documentation necessary to support such an agreement.

## HEART ACT

**Heroes Earnings Assistance and Relief Tax Act of 2008**

For any member whose death occurs on or after January 1, 2007, while performing qualified military service, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requires their beneficiary(s) be entitled to any additional death benefit he or she would have received had the member been employed during the period of military service when the death occurred.

## VERIFICATION OF SERVICE CREDIT

Your years of service credit (and compensation) must be verified by NPERS before a retirement benefit can be calculated. Upon receipt of your retirement application, NPERS will contact the State Patrol Office and request your employment history.

**IMPORTANT**

Service credit and compensation for retirement purposes will be determined by NPERS per state statutes (See “Creditable Service” and “Compensation.”)
You may make a one-time, written request for a tentative verification of service credit from NPERS up to one year but no less than 180 days prior to retirement or entering DROP.

When you make your request, you must disclose any:

- Periods of leave without pay.
- Leaves of absence.
- Suspensions without pay.
- Period where you received worker’s compensation benefits.
- Any period when you were not contributing to the plan.

NPERS will corroborate the information you report with the State Patrol Business Office to tentatively verify your service credit. Service credit accrued and leaves without pay taken after the tentative verification will be reviewed by NPERS when we receive your application for retirement.

If you do not request a tentative verification, your service credit will be verified by NPERS when your benefit is calculated.

**COMPENSATION**

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<thead>
<tr>
<th>TIER ONE</th>
<th>TIER TWO</th>
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<tr>
<td>At retirement, your <strong>three</strong> highest 12-month periods of salary, counting back from the final month of pay, are used to determine your <strong>final average monthly compensation</strong> when calculating your benefit.</td>
<td>At retirement, your <strong>five</strong> highest 12-month periods of salary, counting back from the final month of pay, are used to determine your <strong>final average monthly compensation</strong> when calculating your benefit. (See “Tier Two Salary Caps.”)</td>
</tr>
</tbody>
</table>

“Compensation means gross wages or salaries payable to the member for personal services performed during the plan year” and “includes overtime pay, member retirement contributions, and amounts contributed by the member to plans under §§125 and 457 of the Internal Revenue Code.”

For Tier One Members

Compensation **does not include** insurance premiums converted into cash payments, worker’s compensation benefits, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.
For any officer employed after January 4, 1979, compensation does not include compensation for unused sick leave or unused vacation leave converted to cash payments.

For Tier Two Members

Compensation does not include unused sick leave, vacation, holiday compensatory time, compensatory time, or similar benefits converted to cash payments, insurance premiums converted into cash payments, worker’s compensation benefits, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.

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<tr>
<th>SALARY CAPS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applies to Tier Two Only</strong></td>
</tr>
</tbody>
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Longevity Pay (All Tiers)

The annual lump-sum longevity pay issued to Troopers on their service anniversary date is not included as compensation for retirement purposes.

REPAYMENT OF REFUND

If you previously took a refund from the Plan and then return to active employment, you may repay your refund to reestablish prior service credit. Full payment must be received within five years of your election to purchase service credit or prior to termination, whichever comes first.

Payment may be made through direct payments, an irrevocable payroll deduction or a rollover from the following types of tax qualified plans:

- §401(a) Qualified Retirement Plan [including 401(k) plans]
- §403(a) or (b) Tax Sheltered Annuity Account
- §457(b) Eligible Deferred Compensation Plan
- §408(a) or (b) Individual Retirement Account containing only pre-tax funds/monies from a qualified plan

Your cost to repay a refund will include the original amount of the refund plus the interest that would have accrued if the account had not been withdrawn.

If you are interested in repaying a refund, please contact NPERS for an Application for Purchase of Service and Method of Payment Form. When the
form is sent to you, it will include an estimated purchase cost. Because the repayment process includes multiple steps and you must be actively working at the time of the purchase, we must receive your completed application no later than 60 days prior to your last day of employment.

ACCOUNT STATEMENT

Each fall, NPERS will mail an Account Statement to your home address. To ensure you receive your statement, always inform your employer of any address changes. Members who terminate prior to reaching retirement age should notify NPERS of any address changes.

The annual Account Statement is the document NPERS uses to inform you of your estimated years of service credit and compensation for the prior fiscal year as reported by your employer(s). Compensation and service credit are considered “estimated” until reviewed and verified by NPERS.

Your benefit is determined using your total years of creditable service and highest years of compensation. It is critical you review this data as reported on your Account Statement! It is your responsibility to notify NPERS of any potential service credit or salary errors. If you believe your Account Statement is in error, you should contact NPERS in writing.

Your total member contributions and the accumulated interest are also reported on your statement. Interest is credited monthly. Employer contributions and investment earnings are used for funding the monthly lifetime retirement benefits and will not appear on your statement.

TERMINATION

Termination of employment occurs on the date on which your employer determines that your employer-employee relationship is dissolved. Your employer must notify NPERS of the date on which such a termination has occurred. Termination of employment does not include ceasing employment with the Nebraska State Patrol if you return to regular employment with the Nebraska State Patrol or another agency of the State of Nebraska within 120 calendar days after ceasing employment. (See “Reemployment.”)
IMPORTANT

There are three important points to remember:

- If you delay taking your retirement benefits, NPERS will calculate your benefit using your attained age on your effective date, rather than your age when you terminated employment. (See “Retirement/Effective Date.”)
- The maximum monthly benefit payment is 75% of final average monthly compensation.
- Benefits are calculated based on the law in effect at the time you terminated your employment with the State Patrol.

Unreduced Benefits

ELIGIBILITY FOR UNREDUCED BENEFITS

| 30 or More Years of Service; Any Age | Members with 30 or more years of service credit are eligible for an unreduced benefit at any age. |
| 25 or More Years of Service; Age 50 | Members who terminate with 25 or more years of service credit are eligible for an unreduced benefit at age 50. |
| 10 or More Years of Service; Age 55 | Members who terminate employment with 10 or more years of service credit are eligible to receive an unreduced retirement benefit at age 55. |

Reduced Benefits

Vested members with less than 25 years of service credit may begin drawing a reduced benefit at age 50.

BENEFIT REDUCTION

| 5/9ths of 1% for each month your age precedes age 55 | OR | 5/9ths of 1% for each month your service credit precedes 25 years |

The calculation that provides the highest amount will be used when determining the benefit.

Benefits for partially vested members with less than 10 years of service credit will also be reduced by a vesting percentage as explained in “Vesting Reductions.”
Mandatory Retirement – Unreduced Benefits

Members must retire from the State Patrol at age 60. Any member who has attained the age of 60 upon separation from service is eligible to receive an unreduced monthly benefit based on the years of service credit acquired.

Deferred Retirement

If you cease employment prior to reaching retirement age, and have six or more years of service credit, you may defer your retirement benefit until reaching retirement age. (See “Terminating Service Before Retirement, Retirement Age/Eligibility, and Vesting Reductions.”)

VESTING REDUCTIONS

Benefits will be subject to a vesting reduction for members with at least six but less than 10 years of service credit. Vesting percentage reductions are applied after calculating the retirement benefit.

<table>
<thead>
<tr>
<th>Years of Service Credit</th>
<th>Vesting Reduction</th>
</tr>
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<tbody>
<tr>
<td>6</td>
<td>80%</td>
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<tr>
<td>7</td>
<td>60%</td>
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<td>8</td>
<td>40%</td>
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<tr>
<td>9</td>
<td>20%</td>
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Members with 10 or more years of service credit are fully vested and have no vesting reduction.

SAMPLE BENEFIT CALCULATION

If you retire at age 55 with 20 years of service credit with the State Patrol, and your final average monthly compensation is $5,000 ($60,000 average annual salary), your monthly retirement benefit will be calculated as follows:

EXAMPLE: MONTHLY BENEFIT

\[ \text{Final Average Compensation} \times \text{Years of Creditable Service} \times \text{Formula Factor Set by Current Law} = \text{Monthly Benefit} \]

\[ $5,000 \times 20 \times 3\% = $3,000 \]

* You must be employed on or after July 10, 1990, to qualify for the 3% formula factor.
RETIREMENT: EFFECTIVE DATE

EFFECTIVE DATE

The effective date of your retirement will be the first day of the month following:

- The date your Patrol/State employment terminates; **AND**
- The date your completed application is received by NPERS; **AND**
- The month in which you are first eligible for benefits.

You can expect to receive your first payment approximately 90 days after your effective date of retirement provided all retirement contributions have been remitted and posted to your account.

IMPORTANT

Your first payment will be **retroactive** to your effective date of retirement.

Before You Retire

**STEPS TO TAKE BEFORE YOU RETIRE**

**Step 1**
Up to one year, but no less than 180 days prior to retirement, you may contact NPERS in writing to request a tentative verification of service credit (See “Verification of Service Credit.”)

**Step 2**
Notify NPERS in writing, by telephone or in person approximately **120 days** before your anticipated retirement date to request your application for retirement packet. **Your retirement benefit will not start automatically.**

**Step 3**
NPERS will send you a retirement packet containing the Patrol Application for Retirement form.

**Step 4**
Submit your Application for Retirement form to NPERS preferably 30 days but **no more than 120 days prior** to your effective date of retirement. You may file your Patrol Application for Retirement by mail or in person by making an appointment with NPERS. Please keep in mind the time frame for a timely filing. Upon receipt of your Application for Retirement form, NPERS will perform a final verification of your service credit and compensation.

**Step 5**
If you have a question as to how to establish your effective date of retirement, please contact our office for clarification.

**Step 6**
Verify your age by filing with NPERS a legible copy of your Birth Certificate.

**Step 7**
If married, please also provide a legible copy of your spouse's Birth Certificate and a copy of your marriage license.

**Step 8**
You should provide to NPERS a legible Certificate of Birth for any child of yours who is under the age of 19.
IMPORTANT

During your retirement, NPERS will periodically send correspondence by mail regarding Cost of Living Adjustments (COLA), tax information, or other retirement plan information. It is your responsibility to notify NPERS of any changes in address. Failure to maintain an up-to-date address can result in temporary suspension of benefits. (See “Suspension of Benefits.”)

DEATH BENEFITS

The death information listed under this section applies only to retirements, disabilities and deaths occurring on or after July 16, 2004. Proof of death is required before payments can be made.

Before Retirement: Active Member

If your death occurs before retirement, benefits will be calculated as if you had retired under disability. (See “Disability Retirement” for calculation of a disability benefit amount.) The following percentages are applied to the death benefit:

<table>
<thead>
<tr>
<th>PERCENTAGES APPLIED TO DEATH BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surviving spouse but NO dependent children under age 19:</td>
</tr>
<tr>
<td>Your surviving spouse’s benefit will be 75% of the calculated annuity for the remainder of his/her life.</td>
</tr>
<tr>
<td>Surviving spouse AND dependent children under age 19 in his/her care:</td>
</tr>
<tr>
<td>The benefit will be 100% of the calculated annuity. When all of your dependent children attain the age of 19, the benefit will be 75% of the amount of the calculated annuity paid to your surviving spouse for the remainder of his/her life.</td>
</tr>
<tr>
<td>Surviving spouse and dependent children under age 19 in and/or not in his/her care:</td>
</tr>
<tr>
<td>The benefit will be 25% of the calculated annuity to your surviving spouse and 75% to be divided equally among your dependent children under 19 years of age. In no case will the benefit received by your surviving spouse and dependent children residing with such spouse be less than 50% of the amount of the calculated annuity. When a dependent child attains the age of 19, the benefit will be divided equally among your remaining dependent children under the age of 19. When there is no remaining dependent child of yours under 19 years of age, the benefit will be 75% of the amount of the calculated annuity paid to your surviving spouse for the remainder of his/her life.</td>
</tr>
</tbody>
</table>
PERCENTAGES APPLIED TO DEATH BENEFIT (CONT’D)

| No surviving spouse BUT dependent children under age 19: | The benefit will be 75% of the calculated annuity to be divided equally among your dependent children under 19 years of age. When a dependent child attains age 19, the benefit will be divided equally among your remaining dependent children under the age of 19. |
| No surviving spouse AND no dependent children: | A lump sum payment of your contributions and interest will be paid to your designated beneficiary, or to your estate if you have not designated a beneficiary. Benefits may be rolled over into another qualified retirement account or IRA (Traditional or Roth). |

IMPORTANT
Surviving spouse is defined in statute as the spouse married to the member on the date of the member’s death if married for at least one year prior to death or if married on the date of the member’s retirement OR the spouse or former spouse of the member if survivorship rights are provided under a qualified domestic relations order (QDRO) filed with the Public Employees Retirement Board pursuant to the Spousal Pension Rights Act. The spouse or former spouse will supersede the spouse married to the member on the date of the member’s death as provided under a QDRO.

WARNING
If you apply for a refund of your account and die before payment is made to you, the beneficiary designation you have on file with NPERS will be invalid. The refund you requested would be paid to your estate.

Before Retirement: Inactive Member (Deferred Account)
In the event of your death during the deferred period, the accumulated value of your contributions at the date of termination, plus regular interest to the date of your death, will be paid to your beneficiary or estate. Benefits may be rolled over into another qualified retirement account or IRA (Traditional or Roth). No monthly benefit will be provided.

After Retirement
If your death occurs after retirement, your regular benefit will continue to your spouse and/or children at the same percentages that apply to death before retirement.

If you have no surviving spouse and no dependent children under 19 years of age, the death benefit is equal to your retirement account balance at retirement less the benefits received during the period of your retirement up to the date of your death. If the total benefits received during
If you cease employment with the Nebraska State Patrol because of a disability and you are physically unfit to perform the duties of an officer, you may apply for disability retirement benefits. You must submit a Patrol Application for Retirement/Disability to NPERS and be examined by a physician selected by NPERS.

If the Public Employees Retirement Board (PERB) approves your application, the effective date of your disability retirement will be the first day of the month following either the receipt of your completed disability application or your last day of employment, whichever is later.

**IMPORTANT**

You would not be eligible for disability retirement until you have exhausted all of your accumulated annual leave including vacation, sick and administrative leave.

The PERB may require a medical examination or other information on an annual basis. There is no reduction in disability benefits because of age.

### Disability Benefit Formula: 17 Years or Less

If you have 17 years of service credit or less, your benefit will be 50% of your regular, monthly salary at the date you are disabled.

\[
\text{Monthly Salary at Date of Disablement} \times 50\% = \text{Monthly Disability Benefit Payment}
\]

### Disability Benefit Formula: More Than 17 Years

If you have more than 17 years of service credit, your benefit will be calculated using the following formula:

\[
\text{Years of Service Credit} \times \text{Monthly Salary at Date of Disablement} \times \text{Formula Factor (Currently 3%)} = \text{Monthly Disability Benefit Payment}^* 
\]

*By law, the calculated benefit amount cannot exceed 75% of the final average monthly salary, which is the maximum benefit for a normal retirement.
SPOUSAL PENSION RIGHTS ACT

In 1996 the Spousal Pension Rights Act codified the rights of divorced spouses and children to a share of a plan member’s retirement account. To claim this share, proper language must be included in the domestic relations order and be qualified by NPERS. For further details refer to Receiving Funds for an Alternate Payee link found on your “plan Info” page of the NPERS website, or contact our office.

REEMPLOYMENT

If you are reemployed with the Nebraska State Patrol, you should update your beneficiary listing by filing a new Beneficiary Designation Form with NPERS.

Before Retirement

<table>
<thead>
<tr>
<th>BEFORE RETIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If you have previously taken a refund:</strong> If you have previously taken a refund of your accumulated contributions plus interest, you may repay the total amount and reestablish your prior service credit. (See “Repayment of Refund.”)</td>
</tr>
<tr>
<td><strong>If you elect not to repay a refund:</strong> If you elect not to repay the refund, you will re-enter the system as a new member. Service credit cancelled due to a refund cannot be counted when determining your monthly payments at retirement unless the refund is repaid.</td>
</tr>
<tr>
<td><strong>If you have NOT previously taken a refund:</strong> If you have NOT taken a refund of your account, the new service credit you acquire will be added to your previous service when determining total “creditable service” for retirement purposes.</td>
</tr>
<tr>
<td><strong>Account Number:</strong> You will maintain your original account number with NPERS.</td>
</tr>
</tbody>
</table>

After Retirement

<table>
<thead>
<tr>
<th>AFTER RETIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong> If you are a retiree who returns to work with the Nebraska State Patrol or any other agency of the State of Nebraska, you will continue to receive retirement benefits so long as you have completed a break in employment of at least 120 calendar days.</td>
</tr>
<tr>
<td><strong>Plan Participation</strong> If you return to employment after a 120-day break and meet membership requirements, you will return as a new employee. Retirement contributions will be withheld from your compensation and you will receive service credit for service commencing from the date of reemployment. You should complete a new Beneficiary Designation Form for your new account when you return to work.</td>
</tr>
</tbody>
</table>
If you return to employment with the Nebraska State Patrol or another agency of the State of Nebraska prior to 120 days, you must repay benefits you have received, whether a refund or monthly retirement payments.

Federal law prohibits an employee and employer from pre-arranging ANY return to employment or service at an employer participating in the plan (including any other state agency) during or before the 120-day period. If at any time it is determined there was a pre-arranged return to work, benefits will be suspended and all benefits previously issued must be repaid – including interest.

**IMPORTANT**

Failure to repay “ineligible” benefits can result in garnishment of assets including wages, checking and savings accounts, and other retirement assets.

**RETIREMENT PLANNING PROGRAM**

Since 1987 NPERS has conducted statewide retirement planning seminars for plan members and their spouses. All state patrol officers who are age 50 or within five years of qualifying for retirement are eligible to attend a retirement seminar.

Information is provided on your pension plan, retirement payment options, financial planning, Medicare, health insurance, adjusting to retirement, and estate planning.

Each eligible employee is allowed leave with pay to attend up to two of these full-day retirement planning programs. You may choose to attend a seminar more than twice, but such leave is at your expense and your absence is at the discretion of your employer. You may not attend more than one seminar per fiscal year.

You are welcome to register and attend any retirement seminar scheduled in your area. An NPERS representative will be available to discuss your pension plan with you. For information on seminars scheduled in your area, contact NPERS, or visit our web site at npers.ne.gov.

**TAXATION**

**IMPORTANT**

NPERS does not provide tax advice. In all cases, members should consult the Internal Revenue Service, their state’s revenue agency, or a tax professional, as appropriate, for information on tax consequences, questions, or matters.
Contributions to the plan are not taxed when deducted from your salary. Distributions, whether in the form of a monthly benefit or refund, are therefore subject to state and federal income tax.

Contributions made prior to January 1, 1985, were taxed before being deducted from salary. These contributions are not subject to State and Federal income tax and will be returned to you “tax free” (see Safe Harbor).

When Receiving a Retirement Benefit

NPERS will withhold federal taxes from each monthly check at the rate you specify on the Withholding Certificate for Annuity Payments form (included in the retirement packet and available on the NPERS website). If you do not complete and submit this form to NPERS, we will withhold at the rate of “married plus three exemptions.” You may change your withholding at any time by submitting a new form. Members who have created an online account via the NPERS website may also change withholding online.

If you are a resident of the State of Nebraska when receiving monthly retirement payments, NPERS will withhold Nebraska taxes from your benefit at the same withholding rate you select for federal taxes.

If you move and are no longer a resident of Nebraska, you need to submit an updated withholding form. Your benefit will be taxable in accordance of the laws of the state you move to. You may need to contact the Department of Revenue for the state you have moved to in order to determine tax liability and establish a payment process. NPERS can withhold Federal and Nebraska taxes, but not taxes due to another state.

Your retirement income will be reported to you on a 1099-R form each year in January for the payments received the prior year. A copy of that form will also be provided to the Internal Revenue Service.

Safe Harbor

Pre-1985 contributions are returned tax free based on the “Safe Harbor” method, as required by the Internal Revenue Service. NPERS calculates the “tax-free” portion of your monthly retirement check by dividing pre- ’85 contributions by the fixed number of payments assigned per your age at retirement.

EXAMPLE

Under the current tax tables, 360 monthly payments are designated for individuals commencing benefits at or prior to age 55. If you had a total of $7,200.00 of pre-’85 contributions, this amount would be divided by 360 and you would receive $20.00 of your monthly benefit tax free for the first 360 payments.
After you have received the fixed number of payments assigned, your monthly benefit becomes 100% taxable.

When Receiving a Refund of Your Account

<table>
<thead>
<tr>
<th>REFUND OPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Refund Paid Directly to You</strong></td>
</tr>
<tr>
<td>All or part of your refund may be paid directly to you and all pre-tax amounts will be reported as taxable income. NPERS is required by law to withhold 20% for federal income tax and 5% for Nebraska state income tax.</td>
</tr>
<tr>
<td><strong>Refund By Rollover Distribution</strong></td>
</tr>
<tr>
<td>All or part of your refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth). With the exception of rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. You will be taxed when you eventually withdraw the money from the other plan. Roth IRA rollovers are subject to State and Federal income taxes in the year of the rollover. You will be responsible for filing and paying taxes on the Roth rollover.</td>
</tr>
</tbody>
</table>

An IRS Form 1099-R will be provided to you the January following the year in which you receive a refund payment. The form will show the amount of your refund, the taxable income and the capital gains, if applicable.

Contributions prior to 1985 have already been taxed and will be returned to you tax-free. These after-tax contributions can be rolled over if your rollover company will accept them and you make the appropriate election on your Application for Refund form.

**WARNING**

A refund taken prior to age 59½ may be subject to an additional 10% federal tax penalty assessed when filing your tax return.

You may AVOID the early withdrawal penalties if one of the following applies:

- The taxable portion of your refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date.
- Payment is made to an alternate payee under a qualified domestic relations order.
- Your payment is used for large medical expenses.
- You attained age 50 during the year of separation from service.

In the event of death or disability, the early withdrawal penalties will not apply, regardless of your age.
COST-OF-LIVING (COLA) PROVISIONS

After you have been retired for at least one full fiscal year (July 1 through June 30), your benefit will be reviewed for a COLA each July 1. This increase will be determined using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) during the previous fiscal year.

COLA provisions vary depending on Tier One or Tier Two status.

<table>
<thead>
<tr>
<th>TIER ONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your COLA is capped at 2.5%. If the CPI-W is 2.5% or less, you will receive the CPI-W, but if the CPI-W is higher than 2.5%, your COLA will be 2.5%. Any time inflation erodes the value of your retirement benefit below 60% of the original purchasing power, your COLA for that fiscal year will be the amount of the CPI-W rate. The 2.5% cap does not apply to the 60% purchasing power COLA.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TIER TWO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your COLA is capped at 1.0%. If the CPI-W is 1.0% or less, you will receive the CPI-W, but if the CPI-W is higher than 1.0%, your COLA will be 1.0%. If the annual actuarial report indicates the plan is fully funded with a sufficient actuarial surplus, the retirement board may elect to issue a supplemental lump-sum cost of living payment for that year. The supplemental payment cannot exceed 1.5%. There is no 60% purchasing power COLA provision for Tier Two participants.</td>
</tr>
</tbody>
</table>

DIRECT DEPOSIT

Pension benefits are issued via direct deposit. A direct deposit form is available on the NPERS website and will be included in your retirement packet. If you are unable to secure a bank account for direct deposit, please contact our office.

The direct deposit authorization will remain in effect until changed by the member in writing. To change the direct deposit account, a member must complete and sign a new direct deposit form, and submit to NPERS. Any changes to direct deposit MUST be received by NPERS 30 days prior to the date scheduled for the annuity benefit payment for which the change is to occur.

SUSPENSION OF BENEFITS

NPERS will periodically send correspondence by mail regarding Cost of Living Adjustments (COLA), tax information, or other retirement plan information. If this mail is designated undeliverable and returned to our
office, we will attempt to contact you. After 60 days, if we are unable to reach you and have not received written confirmation of your new address, NPERS will place a hold on your benefit. The benefit will be resumed as soon as administratively possible upon receiving written documentation of your new address.

APPEALS PROCESS

As a member of the Nebraska State Patrol Retirement System, you have the right of review if you disagree with a written decision of the NPERS Director or the Public Employees Retirement Board (PERB). You must file your appeal form within 30 days after you receive notice of the decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If you wish to further appeal a decision, you are entitled to judicial review under the Administrative Procedure Act.

ADMINISTRATION OF THE RETIREMENT FUND

The Public Employees Retirement Board (PERB) consists of eight members appointed by the Governor for five-year terms. Six members are participants in the retirement systems administered by the PERB. Two are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is an ex-officio (non-voting) member of the Board.

The PERB is responsible for the administration of the Judges, State Patrol, School Employees, State Employees and County Employees Retirement Systems and the State Deferred Compensation Plan. [§84-1501]. The PERB meets monthly and meeting dates are posted on the NPERS website at npers.ne.gov.

Nebraska Public Employees Retirement Systems (NPERS) is the agency responsible for the administration of the State Patrol Plan.

A Director is hired by the PERB and directs NPERS in its administration of the various systems. The Director is subject to the approval of the Governor and a majority vote of the Legislature.

The State Treasurer is the custodian of the funds and securities of the retirement systems.

The Nebraska Investment Council is responsible for the investment and management of the system’s assets. The Council contracts with outside
managers to invest the various funds.

Consulting Actuaries, employed by the PERB, conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB, and evaluate the system’s assets and liabilities each year. Copies of the annual actuarial report are posted on the NPERS website at npers.ne.gov.

RELEASE OF INFORMATION

Member account information including name, address, account balances, beneficiaries, or payment options, will only be released under the following conditions:

<table>
<thead>
<tr>
<th>CONDITIONS FOR RELEASE OF INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal visit to NPERS by the member with adequate proof of identity.</td>
</tr>
<tr>
<td>Adequate proof of identity provided over the phone (not including beneficiary listings).</td>
</tr>
<tr>
<td>Written and signed request from the member.</td>
</tr>
<tr>
<td>Written release signed and dated by member (release date must be less than 12 months old).</td>
</tr>
<tr>
<td>A court ordered release.</td>
</tr>
<tr>
<td>Request from guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship.</td>
</tr>
<tr>
<td>A request from a personal representative of a deceased member accompanied by a certified copy of letter of appointment.</td>
</tr>
<tr>
<td>A request from individual holding power of attorney and the power of attorney contains a provision specifically granting the authority to deal with retirement plans, OR provisions granting the authority to do all things on the member's behalf and authorizing the release of information.</td>
</tr>
<tr>
<td>A request from a third party signed by the third party and the member.</td>
</tr>
</tbody>
</table>

Beneficiary designation(s) are only provided to you upon your signed, written request or personal visit by you to NPERS (with adequate proof of identity).

Account information may be released to your employer for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws.
Fax Policy

**FAXABLE DOCUMENTS**

The following will be honored via facsimile (fax) if signed by the member:
- Requests for account information.
- Requests for beneficiary listings.
- Requests for annuity estimates.
- Changes in tax withholding.
- Changes in direct deposit or debit card.
- DCP Enrollment and Change forms

Original, signed NPERS forms are required to process annuities or payments, to change beneficiaries, or change of address for payment requests. However, faxed applications will be accepted to establish an effective date of retirement if the original, notarized form is received by NPERS within five working days of the faxed form.

Email Policy

General questions about DCP and requests for forms may be communicated through email.

At the present time, NPERS does not answer individual account questions by email. NPERS will respond to signed, written requests.

**DEFERRED COMPENSATION PLAN**

As an employee of the State of Nebraska, you are eligible to participate in the voluntary Deferred Compensation Plan (DCP) for State of Nebraska employees. This is a tax-deferred, voluntary investment plan authorized by IRS Code §457. This plan is designed to provide employees a supplementary retirement income.

The plan permits you to “defer” a specified amount of your current salary until retirement or termination. Your deferral is invested at your discretion in any combination of the investment funds offered. As with other retirement plans, there are restrictions on withdrawals. Therefore, your participation should be considered a long-term investment program and not a short-term savings program.

For more information, please refer to the DCP handbook available on the NPERS website.
SOCIAL SECURITY BENEFITS

Since establishment of the Plan in 1947, members have not been included in the Social Security system. Consequently, if you work and earn social security credit through other employment, any social security benefit you receive as a result of the other employment may be reduced because of the pension you receive from the State Patrol Retirement System.

To be eligible for Medicare, if you were hired by the State Patrol prior to July 1986, you must either qualify for social security benefits on your own or through your spouse if he/she receives social security benefits. Some patrol retirees must purchase Medicare insurance at a considerable premium since they and their spouses did not qualify for social security retirement benefits through other employment.

However, since July of 1986, new officers with the State Patrol are contributing to Medicare and will have Medicare coverage available to them without having to work and earn social security credits.

DEFERRED RETIREMENT OPTION PLAN (DROP)

A voluntary Deferred Retirement Option Plan (DROP) was added to the State Patrol Retirement Plan, effective September 1, 2008.

WARNING

DROP is for Tier One Members Only.

Tier Two members are not eligible to participate in DROP.
DROP BASICS

- A member who is at least age 50 but less than age 60 with 25 years of service credit may voluntarily enter DROP.
- In exchange for working up to five more years (but not beyond age 60), DROP provides a way for you to receive a lump-sum amount at retirement in addition to an ongoing monthly retirement benefit.
- Upon entering DROP, your retirement benefit is calculated and you and the employer (State) cease making monthly contributions to the State Patrol Retirement Plan.
- During DROP, you continue to work and receive a paycheck while your monthly retirement benefits are deposited into the DROP account.
- The DROP account will be invested by you using the investment options provided in the §457 Deferred Compensation Plan for State of Nebraska employees.
- Monthly benefit payments will accumulate in the account for a maximum of five years.
- The end of the DROP occurs when you cease employment and “retire in fact.”
- The monthly benefits will then be paid directly to you, and you must withdraw or rollover the accumulated DROP account.

DROP ADVANTAGES

- You continue to work and receive paychecks while monthly pension benefits are deposited into the DROP account.
- Self directed investments allow freedom to choose conservative, moderate or aggressive options.
- There are tax sheltered benefits. DROP contributions and investment earnings are on a pre-tax basis and not subject to taxation until distribution.
- Upon ceasing employment, you will receive the monthly benefit and have access to funds in the DROP account.
- Retirement contributions are no longer deducted from pay and provide potential for additional retirement savings using the §457 Deferred Compensation Plan (DCP) for State of Nebraska employees.

DROP CONSIDERATIONS

- Loss of potential benefit enhancements during DROP.
- Pension not adjusted for salary increases accrued during DROP.
- No COLA during DROP.
- You are responsible for investment choices, gains or losses.
HOW DROP WORKS

Eligibility

To participate in DROP, you must be eligible to begin drawing a full (unreduced) pension. To be eligible, you must be currently employed with 25 or more years of service credit, and be at least age 50 but less than 60 years of age.

Application to Enter DROP

If you are interested in DROP, you should contact the Nebraska Public Employees Retirement Systems (NPERS) and the State Patrol Office. Upon notification of your interest in participating in DROP, NPERS will calculate a retirement benefit estimate using your existing salary and service credit, and will send the estimate to you together with an Application to Participate in the State Patrol DROP, a beneficiary form for your DROP account, and other pertinent information.

Upon deciding to enter DROP, you should complete, sign and have notarized the Application form, and return to NPERS no more than 120 days prior to the desired DROP “effective date.”

Your last day of employment before entering DROP must be the last day of the calendar month before the DROP effective date. The DROP effective date will be the first of the month following the month you cease contributing to the State Patrol Plan, provided you have filed an Application to Participate in DROP before the last day of employment.

WARNING

Upon entering DROP, your monthly retirement benefit will be “frozen.” You will not be eligible for any benefit improvements passed by the Nebraska Legislature. Also, you may not “opt out” of DROP and return to “Active” status.

Once determined, the amount of the benefit payment will not change. Future compensation (salary) will not be considered and there will be no cost-of-living adjustments (COLA) during DROP. Any increases in compensation will not increase the amount of the retirement benefit (see “Working During DROP”).

You will be eligible for COLA increases one full fiscal year (July 1 through June 30) after ceasing employment and leaving DROP. Example: You terminate employment and “retire in fact” August 31, 2020. You would not be eligible for a COLA increase until July 1, 2022.
Deferring Comp Time Pay Into DCP

When entering DROP, you may elect to defer comp time to the voluntary Deferred Compensation Plan.

*If you have previously established a DCP account:*

Complete, sign, and submit a DCP Plan Change Form (NPERS Form 8400) to your agency payroll department. Your payroll department is responsible for forwarding the form to NPERS. NPERS must receive the DCP Change Form the calendar month prior to your date of entering DROP.

*If you have not previously established a DCP account:*

Complete, sign, and submit a DCP Plan Enrollment Form (NPERS Form 8000) to your agency payroll department. Your payroll department is responsible for forwarding the form to NPERS. NPERS must receive your DCP Enrollment Form the calendar month prior to your date of entering DROP.

Working During DROP

During DROP, you will continue to work as a State Patrol employee and receive compensation in the form of a salary. Retirement contributions will no longer be deducted from your salary, and the employer contributions will cease. Meanwhile, your monthly retirement benefit payments will be electronically deposited into your DROP account and accounted for by Ameritas, the State’s record keeper.

**IMPORTANT**

Any salary increases (raises) received while in DROP will increase your pay, but will not increase the monthly retirement benefit payment being “dropped” into the DROP account.

When the First Benefit Payment is DROPPED

It will take 60 to 90 days of processing time before the first deposit will be dropped into your account, which will include up to three retirement benefit payments. (This is the same timeframe used under a traditional State Patrol retirement.) DROP deposits thereafter will occur monthly. NPERS will process the first deposit as soon as administratively possible, and is not responsible for gains or losses due to the timing of deposits.
Ceasing Employment and Ending DROP

By entering DROP, you agree to cease employment at the end of five years (60 months) or upon turning age 60, whichever occurs first. You may cease employment any time prior to five years.

After you notify your employer of your intent to cease employment (retire in fact), the State Patrol Office will submit to NPERS a State Patrol Notice of Termination Form for DROP Participants. NPERS will then send you a State Patrol DROP Request for Distribution form and other information necessary to distribute the DROP account.

You may not take distribution of the DROP account until after you cease employment.

INVESTING THE DROP ACCOUNT

During DROP, you will invest your account using the same investment options offered in the §457 Deferred Compensation Plan (DCP) for State of Nebraska employees.

You will make initial investment selections and determine allocation percentages when completing the Application to Participate in the State Patrol DROP. Thereafter, you may make investment changes at any time, with no fee (see “Change Investments Online or Submit Form”). NPERS provides investment education and assistance to members, described later in this section.

Investment Responsibility and Risk

The investments provided for DROP range from conservative to moderate to aggressive. When choosing investment funds and determining the allocation percentages, you should consider risk, volatility, loss of principal, and the timeframe during which your funds will be in DROP. You may wish to consult your own financial advisor when making investment decisions.

You assume full responsibility for all investments made. There is no guaranteed rate of return! Account balances may increase or decrease in value in response to the investment choices selected and market returns.

Investment Education and Assistance

NPERS provides a variety of investment assistance to plan participants, as follows:
### INVESTMENT EDUCATION RESOURCES

**Annual Investment Report**
Each year NPERS releases an Annual Investment Report which contains fund details and performance of the investment options, and basic information on investment strategies and saving more for retirement. It also includes specific information on automatic investing and risk related to return regarding the State's fund choices. The Annual Investment Report is available in the “Publications/Videos” section of our website or a printed copy may be requested from NPERS.

**Investment Education Video**
You may access this instructional video on the NPERS website at npers.ne.gov under “Publications/Videos.” If you do not have access to the internet, you may contact our office at (800) 245-5712 to request a DVD copy of this video.

### INVESTMENT ELECTION TOOLS

You may change your investments at any time at no charge. Investment elections can be made online or by submitting a form.

**Online Account Access**
Change your investments online using the Ameritas Online Account Access by linking to the Ameritas website via NPERS’ website, npers.ne.gov.

Changes made online before close of market, usually 3 p.m. Central Time, Monday through Friday, take effect that same business day. Instructions on creating an online account are available on our website.

**Investment Election Change Form**
You may also complete and mail to NPERS a completed Investment Election Change Form–DROP. This form may be printed from our website at npers.ne.gov or may be requested by contacting our office.

### IMPORTANT

Making investment changes is a two-part process, “Elections” and “Transfers,” and you will need to consider if you want to implement part or all of the process.

### ELECTIONS VS. TRANSFERS

**Elections**
Investment “Elections” only determine where a member’s future monthly deposits will be invested.

**Transfers**
Changing investments on current funds requires an investment “Transfer.”

You may make Elections or Transfers at the same time or independently of each other. In addition, the investment choices for Elections do not have to be the same as Transfers.
ACCOUNT STATEMENTS

During DROP, you will receive printed quarterly statements by mail from the record keeper. You may also access your account online anytime, by linking to the Ameritas website via NPERS’ website.

Online access provides more detailed account information, such as daily account values and basis point charges.

FEES

<table>
<thead>
<tr>
<th>ACCOUNT FEES</th>
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<tbody>
<tr>
<td>There are three separate fees assessed to DROP accounts.</td>
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<tr>
<td>Record-keeping fee</td>
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<tr>
<td>NPERS’ administrative fee</td>
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<tr>
<td>Investment management fee</td>
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</tbody>
</table>

IMPORTANT

The amount of these fees are subject to change. Changes to fees are reported in NPERS’ newsletters and on the NPERS website.

Record Keeping Fee

The fee for record keeping services is subtracted directly from your account. This fee is assessed on a monthly basis and is reflected on your quarterly account statement.

In addition to the monthly record keeping fees, when you take distribution of your DROP account, a $75 distribution charge will be assessed by the record keeper.

The record keeper will also charge a quarterly fee of $0.50 for delivery of statements or documents mailed to DROP participants. You can avoid this mailing fee by signing up for electronic distribution of correspondence.

Administrative Fee

A portion of NPERS’ operational costs are reimbursed from Plan forfeitures. Forfeitures occur when a non-vested plan member ceases employment, which causes the employer contributions to be forfeited. These amounts are used to partially offset NPERS’ administrative expenses.
NPERS may also assess a charge in the form of basis points against plan assets. A basis point is one one-hundredth of a percent. These fees are reflected in the adjustment column of your quarterly statement.

**Investment Management Fee**

The investment management expenses include the operational costs of the Nebraska Investment Council, the custodial bank fee to handle the plan accounting, and the fee charged by each fund manager. These fees are not subtracted on your quarterly statement but reduce the earnings of each investment fund.

Because of economies of scale and the state’s negotiating power, the investment fees on your funds are very low. In comparable mutual funds outside of the Plan, fees are generally higher and sales charges may also apply.

Investment fees for each fund are listed in the NPERS Annual Investment Report which may be found on the NPERS website.

**“RETIRE IN FACT” DISTRIBUTION OPTIONS**

When you notify the State Patrol Office and finally cease employment, you are considered to have “retired in fact.” Please provide notification to the Patrol and NPERS at least 30 days prior to termination.

The State Patrol Office will complete a State Patrol Notice of Termination Form for DROP Participants, and submit the form to NPERS. Your monthly retirement benefits will no longer be deposited pre-tax into the DROP account and will instead be issued directly to you (see “Address Changes” and “Taxation”). One full fiscal year (July 1 through June 30) after the date of ceasing employment and ending DROP, your pension is eligible for any future COLA increases.

The accumulated funds in the DROP account will now be ready for distribution. NPERS will send a “request for distribution packet” to you which will include the State Patrol DROP Request for Distribution form, and information and forms regarding direct deposit and taxes.

You have three choices when taking distribution of the DROP account. The entire account must be distributed and may not be deferred.
<table>
<thead>
<tr>
<th>DISTRIBUTION OPTIONS</th>
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<tbody>
<tr>
<td><strong>Lump Sum</strong></td>
<td>A lump sum distribution of the entire account.</td>
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<tr>
<td><strong>Rollover</strong></td>
<td>A rollover distribution of the entire account to another qualified, tax sheltered retirement plan</td>
</tr>
<tr>
<td><strong>Combination</strong></td>
<td>A combination of lump sum and rollover distribution.</td>
</tr>
</tbody>
</table>

Individuals participating in the State of Nebraska Deferred Compensation Plan may roll DROP funds into this account.

Notify NPERS of your choice of distribution by completing and submitting the State Patrol DROP Request for Distribution form. Your DROP account must be distributed in full within 60 days of termination.

**DROP TAXATION**

During DROP, all retirement benefit payments will be deposited on a pre-tax basis and will not be subject to taxation until distribution to you (or your beneficiary).

NPERS is required by law to withhold 20% for federal income taxes and 5% for Nebraska state income taxes for all lump sum distributions. These withholdings may or may not cover your full tax liability. Your actual tax liability will vary depending on your total taxable income for the year and the tax laws in effect at the time. If you are no longer a resident of Nebraska and have notified our office in advance, the 5% Nebraska state tax will not be withheld. You will however, be subject to state income tax in accordance with your new state of residence.

With the exception of rollovers to a Roth IRA, rollover distributions are not subject to taxation at the time of rollover but will be taxed upon distribution. Roth IRA rollovers are subject to State and Federal income taxes in the year of the rollover. You will be responsible for filing and paying taxes on the Roth rollover. Once funds are rolled to another retirement plan, taxes will be assessed according to the rollover plan’s regulations. For example, if funds are rolled to a Traditional IRA, distributions prior to age 59½ may be subject to early withdrawal penalties.

**SOCIAL SECURITY**

State Patrol Plan members are not included in the Social Security system, whether or not they are participating in DROP.
ADDRESS CHANGES

While working, it is important for you to keep your address current through your employer, the State Patrol Office, which will then inform NPERS of any address changes.

After ceasing employment and leaving DROP, it is important to notify NPERS in writing of any address changes, in order to receive future benefit payment, newsletters, and other information.

DEATH DURING DROP

If you die while participating in DROP, your retirement benefit payment will continue in the manner specified in Nebraska statutes and described in the “Death Benefits - After Retirement” section of this handbook.

Your DROP account balance will be distributed to the beneficiaries you designated when electing DROP participation.

DISABILITY DURING DROP

If you become disabled during DROP, you will be deemed to have “retired in fact” and completed DROP. You will begin receiving the retirement benefit payment as calculated at the beginning of DROP, and the DROP account will be distributed to you.